

*Note on Punjab  
Finance Bill, 2021*

*June 16, 2021*



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**PROVINCIAL BUDGET 2021  
- PUNJAB**

This Memorandum summarizes salient features of the provincial budget and the Finance Bill presented in the Provincial Assembly of Punjab. All changes proposed through the Provincial Bill are effective July 1, 2021, subject to approval by the Provincial Assembly of Punjab.

Proposed modifications in certain other Provincial laws are also summarised in this Memorandum.

This Memorandum can also be accessed on our website [www.pwc.com/pk](http://www.pwc.com/pk)

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# PUNJAB FINANCE BILL, 2021

## PUNJAB SALES TAX ON SERVICES

### ACTIVE TAXPAYER – SECTION 2(1)

An 'active taxpayer' is presently defined in Rules to mean a registered person appearing in 'active taxpayers list'. It is proposed that an 'active taxpayer' be defined in Act to mean the following:

- (i) whose registration has not been suspended or blacklisted by the Punjab Revenue Authority ('Authority'); and
- (ii) who has filed his tax return for at least one of the preceding three consecutive tax periods.

### OPTION TO CHARGE SALES TAX AT STANDARD RATE – SECTION 10A

At present, in respect of certain services chargeable to tax at a rate lower than general rate of 16%, service provider has the right to opt for taxation at full rate. It is now proposed that such an option is made available in respect of all services subject to permission of the Authority with such option being irrevocable except with the permission of Authority.

Further, Authority is proposed to be empowered to withdraw such permission where authority has a reason to believe that taxpayer has misused the option. This proposal is in line with spirit of VAT mode of taxation.

### PENALTY FOR OVERCHARGING SALES TAX – SECTION 48

A penalty of higher of Rs 10,000 or 10% of the invoice amount is proposed for an offence of overcharging of amount of sales tax.

### POWER OF AN OFFICER TO BUSINESS PREMISES – SECTION 59

Presently, sales tax authorities are empowered to appoint an officer at premises of a service provider to monitor the 'provision of services'. The scope of such appointments is proposed to be enlarged to include such premises where services are being received.

### TRANSFER OF APPEAL FROM COMMISSIONER (APPEALS) TO APPELLATE TRIBUNAL – SECTION 65

At present, in the event an appeal is not disposed by Commissioner (Appeals) within 180 days from the end of the month of appeal filing, the Commissioner (Appeals) is required to transfer such appeal to the Appellate Tribunal ('Tribunal') along with comprehensive report explaining the circumstances and reasons due to which appeal could not be decided within stipulated time.

It is now proposed to do away with such compulsory transfer of appeal, consequently time limitation for disposal of appeal will partake the character of a directory provisions as is the case in federal fiscal legislations.

### SERVICES SUBJECTED TO TAXATION

Following services have been proposed to be made liable to tax:

Entry No.	Proposed Service	Rate of tax
7	Services provided by the insurance agents and insurance brokers	5%
48	Services provided by persons for intra-city carriage of goods	15%
70	Entertainment services (including cinema, theater, concerts, circus, sports events, races, film, fashion shows and mobile stage shows)	Zero percent

Entertainment services are at present liable to duty under Punjab Entertainment Duty Act, 1958, which is proposed to be repealed. Further, proposed tax on services of insurance agents and brokers may face legal challenges as amendment is proposed in irrelevant Entry and Column of Table of taxable services.



## REDUCTION IN TAX RATES

Reduction in tax rates for following services has been proposed, consequent where to input tax adjustment will not be available where reduced rate is below than 15%:

Entry No.	Services	Existing Rate	Proposed Rate
11	Services provided by the restaurants where payments against services is made through mobile wallets or QR scanning (at present reduced rate is applicable only where payment is made through debit/ credit cards)	16%	5%
18	Services provided for personal care by 'air conditioned' beauty parlors, salons, clinics, slimming clinics, spa (including saunas, Turkish baths and jacuzzi) and similar other establishments	16%	5%
33	Services provided by fashion designers including use of brand name, logo or house mark, whether or not registered, in the manufacturing or trading of products, whether relating to textile, leather, jewelry or other product regimes including allied services such as cutting, stitching, printing, manufacturing, fabrication, assembly, embellishment, adornments, display including marketing, packing and delivering etc.	16%	5%
34	Services provided by the architects, town planners, landscapers, landscape designers, interior decorators and interior designers.	16%	5%
40	Services provided by the commission agents to home chefs	16%	5%
41	Call centers	19.5%	16%
44	Services provided by laundries and dry cleaners.	16%	5%
50	Services in relation to supply of tangible goods including machinery, equipment and appliances for use, without transferring right of possession and effective control of such machinery, equipment and appliances.	16%	5%

Entry No.	Services	Existing Rate	Proposed Rate
61	Services provided by warehouses or depots for storage or cold storages including letting of space for storages.  <b>EXCLUDING:</b> Storage of agricultural produce for the person's own consumption.	16%	5%
64	Dress designing and stitching services.	16%	5%
65	Rental of bulldozers, excavators, cranes, construction equipment, Scaffolding framework and shuttering, generators, storage containers, Refrigerator, shelf or rack renting etc.	16%	5%

## OTHER LAWS

### MOTOR VEHICLE TAX

In line with the government's cleaner environment initiative and in order to discourage vehicular emissions, the provincial government proposes to provide a 75% rebate on motor vehicle tax on electric vehicles till June 30, 2022.

Further, the rebate of 25% earlier available in respect of 10 years old vehicles is proposed to be abolished.

In line with incentives provided in last year's provincial budget, the following discount and rebate have been proposed with respect to motor vehicle tax for financial year 2021-22:

Sr. No.	Description	Discount/Rebate
(i)	Where tax is paid through e-payment system.	Discount equal to 5% of tax being paid.
(ii)	Where annual tax is paid in lump sum by September 30, 2021.	Rebate equal to 10% of annual tax.

Payment of annual tax, in third and fourth quarters, may entail a penalty, up to twice the amount of tax.

### PROFESSIONAL TAX

At present, non-corporate commercial establishments employing 10 or more persons are liable to pay professional tax. It is proposed that commercial establishments (excluding wholesalers and retailers) employing less than 10 employees, whether or not operating within metropolitan / municipal corporation limits are made subject to this levy at Rs 2,000 per annum.

Professional tax is presently payable by dealers of motor cars, motorcycles and scooters at rates ranging from Rs 6,000 to Rs 20,000 depending upon nature of vehicle and area of operation (metropolitan, municipal or others). Such levy is now proposed to be extended to dealers of other motor vehicles (trucks, buses etc.).

Further, it is proposed that persons engaged in a profession, trade, calling or employment (other than those already subject to professional tax), who paid income tax during the preceding years are also made liable to pay professional tax at Rs 200 per annum.

### PROPERTY TAX

Similar to concessions proposed in respect of motor vehicle tax, following relief have also been proposed for property tax for next financial year:

Sr. No.	Description	Discount/Rebate
(i)	Where tax is paid through e-payment system.	Discount equal to 5% of tax being paid.
(ii)	Where annual tax is paid in lump sum by September 30, 2021.	Rebate equal to 5% of annual tax.

Moreover, it has also been proposed to give the taxpayers an option (for financial year 2021-2022 only) to pay tax on yearly or half yearly basis or by such later date as may be notified by the Punjab Government.

Further, it is proposed that in case of payment of annual tax in third and fourth quarters, a 1% monthly surcharge is recovered.

### PUNJAB INFRASTRUCTURE DEVELOPMENT CESS

It is proposed that such goods as are exempt from federal duties and taxes leviable on import are also exempted from levy of infrastructure cess.